

SOCIAL EUROPE

**Policy measures for combating
long-term unemployment
in the European Community since
the 1984 Council Resolution**

SUPPLEMENT 5/89



COMMISSION OF THE EUROPEAN COMMUNITIES

DIRECTORATE GENERAL FOR EMPLOYMENT,
SOCIAL AFFAIRS AND EDUCATION

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**Study by
Amin Rajan
and
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June 1988

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PART A - BACKGROUND

Chapter 1 outlines the object, scope and method of the study, and the structure of the report.

Chapter 2 presents an overview of the scale and nature of the long-term unemployment in individual Member States of the European Communities. It also outlines the policy responses so far and their underlying rationale.

Thus, these chapters develop a number of background issues pertinent to the evaluation of the policy measures introduced in the Member States after the 1984 Resolution.

1 Introduction

1.1 Object and Scope

The Council of the European Communities passed a Resolution in December 1984, issuing guidelines to the Member States on the possible ways of tackling the mounting problem of long-term unemployment (LTU). The central focus of this report is the measures introduced following that Resolution. It has been contracted by the Commission of the European Communities with the following remit:

- o to identify the number, nature and scope of the measures introduced by the Member States since the 1984 Resolution to combat long-term unemployment;
- o to provide a provisional assessment of the effectiveness of the measures in question, bearing in mind the relatively short time period in which they have been in operation; and
- o to offer some recommendations in the light of the assessment.

Long-term unemployment is usually defined to cover those out of work for a specified duration. In this report, the period adopted is twelve months in common with practice in most Member States.

For the purpose of evaluation, a sample of seven countries has been chosen in order to achieve a more detailed perspective: Belgium, Denmark, Federal Republic of Germany, France, Netherlands, Spain and United Kingdom. The countries were chosen on the basis of their different sizes, degrees of LTU problem and policy approaches. Between them they combine all the facets of the LTU problem found within the Community.

The primary emphasis here is on the so-called 'special labour market measures' that are directly designed to achieve one or more of the following objectives:

- o to increase demand for labour through subsidies or overt job creation measures;
- o to improve the quality of labour supply by upgrading the work skills of the unemployed through vocational education, training or retraining; and
- o to decrease the volume of labour supply through methods such as early retirement and raising the school leaving age.

The presumption underlying these objectives is that through specific measures it is possible to achieve the reintegration of the long-term unemployed in the labour market; or disengagement from it permanently for those near the retirement age.

1.2 Research Method

The remit essentially involves drawing together from disparate sources all the readily available information on the number, nature, scope and effectiveness of the special labour market measures implemented since the 1984 Resolution. As such, this report does not attempt original research but relies heavily on the results from any form of evaluation - some of which are fairly rigorous though others are less so.

Such a pragmatic approach has been dictated by three considerations:

- o **newness of measures:** most of the measures covered in this report are either so new or limited in their scope that their impact is difficult to discern and isolate from long-established measures; or, for that matter, from the effects of sustained economic growth which have been a principal feature of the economies of all the Member States since at least 1983, and for many even longer;
- o **time-lags:** some of the measures either have an inherent time-lag or a build-up period so that it is too soon to form a judgement on their effectiveness; and

- o **role of generalised measures:** there are many special labour market measures which are not specifically targeted at the long-term unemployed; yet they do not necessarily exclude them either. As a result, the extent to which the long-term unemployed participate in them is simply not known.

1.3 Report Structure

This report synthesises and summarises all the main points emerging from the detailed country-specific studies. A second, full report is available from the editors and is complementary to this in that it provides greater detail and elaboration on each of the seven countries.

2 Overview of Trends, Methodology and Issues

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2.1 Introduction

Before examining the nature and effectiveness of the measures adopted by various Member States, it is useful to consider the nature and scale of the LTU problem and the developments that led to the passing of the Resolution in 1984.

This chapter provides an overview of the problem, the nature of the measures implemented by the Member States and the issues relating to evaluation of the measures. In the process, it focuses on those subject areas that are central to our remit. It does not repeat various factual details which are already well documented in three recent reports: CEC(1), OECD(1987:1) and Walsh (1987).

2.2 Scale and Nature of LTU

In this report the long-term unemployed are broadly defined as those out of work for more than twelve months. Table 2.1 provides the latest available internationally comparable estimates of long-term unemployment, expressed as a percentage of total unemployment, in each of the Member States. When examined in an historical context and using data for the previous decades not given in the table, two points are particularly noteworthy about the estimates: they are markedly higher than levels recorded in the last three decades and they imply a further deterioration in the underlying trend. In other words, the problem of LTU is not only more acute now than at any time in the history of the Community, but it has also shown no signs of a major improvement, at least until 1985.

Lately, there has been some improvement in most Member States, as will become evident when the internationally comparable estimates for 1987 are available. Welcome though it is, the scale of recent improvement falls well short of the rate of reduction needed to achieve the declared LTU target of 30 per cent by 1990, from the current rate of some 50 per cent of total unemployment for the Community as a whole (CEC (1) and (2)).

Furthermore, the improvement looks less impressive against the background of the longest period of economic recovery since the Community was formed. For the long-term unemployed, five years of sustained economic growth in this decade appear to have achieved much less than two years of growth in the previous decades in most Member States. The clearest implication is that the LTU problem is no longer a cyclical one, in the sense that resumption of economic growth will necessarily cure it. This point will be returned to in the next section.

Table 2.1 Long-term Unemployment as a Percentage of Total Unemployment

	1983	1984	1985
Germany	38.4	43.4	46.9
France	39.6	39.1	43.8
Italy	54.6	60.5	63.6
Netherlands	46.9	n.a.	56.4
Belgium	64.1	67.1	68.3
Luxembourg	32.7	29.3	36.8
United Kingdom	44.8	45.5	48.7
Ireland	35.3	44.5	62.2
Denmark	32.2	30.9	32.0
Greece	32.3	37.1	43.4
Spain	52.5	53.4	56.3
Portugal	45.2	43.5	48.4
EUR 11*	46.5	48.6	-
EUR 12*	-	-	52.3

* estimated

Source: CEC(1)

For the moment, it is worth highlighting the characteristics of the long-term unemployed in the Member States. These have been documented extensively (see, for example, CEC (1); OECD (2) and Walsh (1987) (3)). A great majority of the long-term unemployed are male except in Belgium and France where females are in the majority. They are also predominantly adults, with the prime-age group (25-44 years) accounting for between 40 and 70 per cent of the total. Young people feature more prominently among the long-term unemployed in France where they account for around a third of the total LTU and similarly in Spain.

Last, but not the least, in all Member States persons with low educational attainments and limited skills are over-represented among the long-term unemployed. This is partly due to less schooling and partly to the downgrading resulting from their being obliged to take on a series of tenuous, less skilled jobs before drifting into long-term unemployment. Worse still, once a person becomes unemployed these two factors initiate a vicious cycle of disadvantage - one that is exacerbated by the relative lack of education, training and counselling measures in many Member States. As a result, the main cause of long-term unemployment is the fact of becoming unemployed in the first place.

2.3 Statistics of LTU

The statistics presented in Table 2.1 are based on the annual labour force surveys carried out in each Community country. The survey data represents the best comparable series across the Community even though there are differences in the questionnaires used (Walsh 1983). The main problem is that they are well out of date by the time they are released for publication. The alternative data source is the administrative statistics basically derived from the number of registrations of unemployed people usually for the payment of benefit purposes and according to the requirements of national established practice (Eurostat, 1984). They have the virtue of being up-to-date, but suffer from severe problems of incomparability across member countries due to differences in, for example, benefit payment conditions.

Though it is not appropriate here to discuss in detail the measurement differences, it is important to point to the main qualifications that need apply when such statistics are used as the basis of international comparisons. The first point to make is as with many data series, they are better as trend

indicators rather than stock indicators. Used as the former, the administrative statistics provide a reasonably reliable guide to the way LTU has evolved in the Community countries up to the current time. Table 2.2 presents administratively-derived data for the seven countries covered in this study for the period 1979-86. The statistics show that the trend reflected in the labour force survey data (Table 2.1) is followed and by 1986 there were few signs of a fall in the statistics.

However, in comparing the data it should be noted that because they are essentially a by-product of the unemployment registration process, changes in this process will obviously affect the statistics derived from it. Such changes have been most pronounced in the UK starting with the most fundamental change in 1982 (the move to a computerised count of 'claimants to benefit' rather than the hitherto manual count of employment office registrations). A whole series of changes since have called into question the validity of the British unemployment statistics (see 'The Sunday Times' (6 November 1983) and 'The Guardian' (17 December 1987)).

Table 2.2 LTU from Administrative Statistics
(LTU as percentage of total unemployment)

Country	1979	1986
Belgium	39.4	50.4
Denmark	25.0*	30.0**
Federal Republic of Germany	19.9	32.0
France	21.8	30.2
Netherlands	30.0	53.0
Spain	27.2	56.2
UK	24.6	41.1

Note: Months vary

* 1980 figure

** Those employed 80 per cent of year

Source: National statistics

Added to the imposed changes, the differences in policies essentially external to the unemployment statistics, undermine comparability still further. For example, those countries with some form of national service (such as exists in France and the FRG) means that large numbers of young people potentially vulnerable to LTU are effectively removed from the labour market for periods of up to 18 months. Similarly, some measurement systems treat breaks in a person's unemployment period (for reasons such as illness, training or short-term work) differently. In many cases an unemployed person who becomes ill, for example, will be removed from the unemployment statistics on the basis that they no longer satisfy one of the major criteria for counting as unemployed (ie. being available for work). This may seem reasonable treatment but the problem is that when the person returns to the 'live' register the unemployment period reverts to zero. This inevitably affects the measurement of LTU.

The same problem arises with many of the special employment measures introduced to help combat LTU. In particular those projects of finite duration (such as the 'make work' schemes exemplified in the various community-based projects in member countries) tend to remove an LTU temporarily from the register. After the scheme has ended and assuming the participant has failed to find a job, training course or some other occupation, that person will re-register as unemployed but starting from zero duration.

Comparisons of the survey and administratively-derived data show that the latter tend to under-record the proportion of LTU at any one time and for the reasons already discussed (Walsh, 1987). However, the better base of the administrative statistics means that it is possible to obtain more detailed information on the LTU than from the survey data. This is particularly so for analyses of LTU by small geographical areas and reflects a fundamental aspect of the LTU problem, its concentration in local labour markets where often the solutions also lie.

2.4 Manpower Measures Designed to Help the LTUs

In the aftermath of the 1974-75 'oil' recession, the underlying trend in unemployment in the Member States has been upwards. The second 'oil' recession in 1979 accentuated this trend (see, for example, Walsh 1987). In order to counter their impact on unemployment, initially the Member States deployed the

conventional demand reflationary macroeconomic policies. When they were found to be wanting, special measures were increasingly resorted to. These were essentially contra-cyclical in nature and overtly designed to create jobs for the long-term unemployed. They were based on two premises. First, the recessions had a disproportionate impact on unskilled or semi-skilled workers. Hence some specially targeted measures were needed to counter the impact or, at any rate, minimise it. Second, such measures need not or cannot provide a permanent solution. Instead, they were viewed as short-term palliatives whose significance would automatically diminish once economic recovery was firmly established.

However, as the rate of LTU continued to rise, the number, nature and scope of the measures has been expanded to the extent that they could now be classified under eleven distinct generic headings as shown in the Appendix which summarises the nature of principal measures in the Member States as at March 1987. Their detailed description appears elsewhere (CEC (1)).

Individually or interactively, the measures have been designed to achieve one or more of three broad objectives:

- o overt job creation in the public sector: mainly involving social, cultural and community work, this objective has strong emphasis in most Member States and especially in Belgium, Ireland, the Netherlands upto 1984), Spain and the United Kingdom;
- o direct job creation in the private sector through financial incentives: through wage and other forms of subsidy, this objective has had strong emphasis in the Federal Republic of Germany, Greece, Ireland, Luxembourg and Portugal; and
- o counselling, training or retraining for the long-term unemployed: this objective has had strong emphasis in Denmark, France, the United Kingdom and more recently in the Netherlands and Spain.

The nature and range of the measures vary between countries, mainly reflecting the inter-country differences in scale and characteristics of the LTU problem. For example, in France the emphasis on training measures is dictated by a relatively high incidence of LTU amongst the young. In the UK, on the other hand, the emphasis on social and community programmes is dictated by the predominance of unskilled or semi-skilled young adults among the long-term

unemployed. In Belgium, the emphasis on early retirement measures stems from a rapidly changing industrial structure with insubstantial redeployment possibilities. In the Federal Republic of Germany, by contrast, a favourable industrial structure has diverted policy attention to job creation in the private sector through financial incentives.

Such differences are a matter of detail as well as debate. The substantive point that emerges from a close look at the measures listed in the Appendix is that, when combined with sustained economic growth, they add up to a formidable arsenal in the fight against LTU. Yet the problem has persisted, hence the reasons for this need to be assessed.

The answer can be found in two dramatic developments: the severity of the 1979-81 world-wide economic recession and the diffusion of revolutionary information technology. The first of these has caused a massive labour shake-out in the manufacturing base of the Member States. In the process, not only low-skilled jobs disappeared but also some of the skilled ones as manufacturing firms increasingly sub-contracted service functions that were previously performed in-house. Either way, the employment structure in the Member States has shifted heavily in favour of the service sector (Social Europe (1986); Rajan (1987); and Petit (1986)).

The process has been accelerated by technology. On the one hand, it has reduced labour requirements in all sectors of the economy for a given level of output. On the other hand, it has upgraded the skill and educational content of work. Thus, both the quantity and quality of work have changed fundamentally in the Member States to the extent that there is a major skills mismatch between what their economies need and what the long-term unemployed can supply.

Accordingly, the LTU problem is first and foremost a structural problem. Contra-cyclical measures, such as wage subsidies and overt job creation, are still relevant in the sense that they provide a temporary relief or help those who suffer from special disadvantages such as age and physical disability. However, they cannot bear the brunt of the fight against LTU. They need to be augmented substantially by special measures relating to education, training and counselling. Here such measures are interpreted widely to embrace all forms of vocational preparation and human resource development, thus blurring the distinction usually made between education and training. Their thrust is directed at occupation or job specific training as well as more general

development of academic competences. As such, they are among the principal weapons to fight LTU on a more lasting basis (see, for example, CEDEFOP (1), for a detailed exposition of this argument).

Further examination of the measures in the Appendix makes two generalisations immediately obvious: the long-term measures of the type described in the previous paragraph are less prevalent in the Member States than contra-cyclical measures; and in some cases, they have only been introduced since the 1984 Resolution (CEC (2)). The underlying rationale is provided by the triumph of efficiency over equity in policy objectives (see, for example, OECD (1) and (2) for more detail). Hitherto, it had been argued that skill training was expensive and it made little sense to give it to the long-term unemployed if few of them found jobs afterwards; instead, it made more sense to create jobs that were suited to the circumstances of the long-term unemployed.

The policy attitude has changed somewhat since 1984 as discussed in Chapters 3-9. The trade-off between efficiency and equity has tilted in favour of the latter as the social disadvantages of rising LTU have become more apparent in the Member States. More importantly, though, there has been greater acceptance amongst policy-makers that LTU has become more deep-seated to the extent that the solutions adopted prior to the 1984 Resolution may not be enough. The precise logic of this proposition is a matter of debate, but there is little doubt that the general orientation of the measures since the 1984 Resolution has changed. More specifically, the policy emphasis has changed from stimulating demand for labour through various overt job creation measures to improving the quality of labour supply through vocational guidance and training.

2.5 Research Issues

Whether the change in emphasis from demand-oriented to supply-oriented measures has led to an improvement in the fight against LTU is the central question for this report. In this context, the extent of improvement may be assessed by pursuing three distinct questions:

- o how valid and coherent are the new measures, given the nature of the LTU problem;

- o how large is the coverage of these measures, given the scale of the LTU problem; and
- o how effective are the measures in reducing the number and rate of LTU?

The first two questions are straightforward in the sense that they did not raise any insurmountable problems in pursuing the remit of this research. However, the same cannot be said about the third question because very little rigorous research has been done and published on the effectiveness of the measures in any of the Member States.

In the field of policy evaluation, two methods are usually employed. The first of these involves the use of a mathematical model that is designed to compare two sets of outcomes: one with the relevant policy measure in operation; and one that would have occurred if the measure had not been introduced. Unfortunately, in the Member States there are at present no models available that can readily produce the two sets of outcomes as far as LTU measures are concerned.

The second method rests on an elaborate cost-benefit analysis, designed to compare the costs - both monetary and others - of the measure with their benefits. This method is even more difficult to implement as far as LTU is concerned because certain costs and benefits are highly subjective, involving matters of value judgement.

Thus, neither of these methods has been used in such evaluations as have been carried out in the Member States. Indeed, they seem to adopt an eclectic approach that combines rigour with good 'soft' information. For example, some evaluations have assessed the probability of obtaining a job after spending a stipulated time under a specific programme. This has then been compared with the probability associated with non-participation, as calculated by having a separate control group. Other evaluations rely on the subjective opinions of various social partners. Irrespective of the nature of the methods used, all the evaluations that have been published are reported in the next seven

chapters. That said, it is worth emphasizing that, given the newness of the measures, there are not many evaluations. In any event, given the time-lags in the operation of certain measures, it can also be argued that it is too soon to present anything other than a provisional assessment at this stage in the life of the post-1984 measures. As in all provisional assessments, the first two questions raised above are just as important as the third. So in Part B, the first two questions feature as prominently as the third, if not more.

Part B - Summary of Country Reports

This Part contains seven chapters, each covering a separate Member State. For the purpose of evaluation of policy measures after the 1984 Resolution, these seven states were chosen on the basis of the diversity in their rates of long-term unemployment and in the nature of their policy responses.

The information presented here is in a summary form. It will be subsequently elaborated and expanded in a more detailed volume. For now, any specific queries or reference sources could be referred to the editors.

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3.1 Background

Long-term unemployment has persisted for many years in Belgium. The statistics of registered unemployed (chômeurs complets indemnisés* - CCI) have consistently shown a proportion of LTU higher than all other Member States of the European Communities. In 1978, for example, it was around 54 per cent and had increased to 67 per cent by 1984. By 1986 it had reached 69 per cent of all unemployed (see Table 3.1).

Table 3.1 Belgium: Long-term Unemployment, 1985-86

Duration Period	1985		1986		% Change in Numbers 1985-86
	Numbers	%	Numbers	%	
Under 1 year	144,403	31.7	134,043	31.1	- 7.2
Over 1 year	311,127	68.3	296,963	68.9	- 4.6
Total Unemployed	455,530	100.0	431,006	100.0	- 5.4

Source: Office National Pour l'Emploi

* 'Chômeurs complets indemnisés' are those persons fully unemployed and entitled to benefits. In order to receive benefits they must have lost their job through no fault of their own and must prove that they have worked a specified number of days according to their age.

The observed high incidence of LTU in Belgium is partly attributed to its unique benefits system. In effect, a person who becomes unemployed through no fault of his/her own and is eligible for benefits through a previous period of work during which they paid their contributions, is entitled to draw benefit for an indefinite period. Whereas in most of the other countries, benefit is paid for a finite period (usually for 12 months) after which the still unemployed person switches to a means-tested social security system (normally paid at a lower rate than the standard unemployment benefit), in Belgium the qualifying unemployed person can stay with the same system.

Despite the comparatively high proportion of LTU shown by the official figures, there are grounds for believing that they significantly understate the true level. This is because there have been certain changes in the way the statistics are compiled. For example, since April 1985 certain unemployed aged over 55 who, under normal circumstances, would find it difficult to get a job are removed from the count. Between April 1985 and March 1987 approximately 64,900 people were excluded from the figures, most of whom were either already or likely to be long-term unemployed. Similarly, certain very long-term unemployed have also been excluded from the figures. This is in addition to the common problem of coping with those unemployed who re-register after a short period of unemployment.

3.2 Approach

Despite the high level of LTU in Belgium, there has been limited direct action to combat it. Most efforts at assisting the long-term unemployed have been parts of broader programmes for the unemployed in general. This is typified by the Youth Training Programme (YTP) which was introduced in 1983. The aim of the scheme was to give young people some practical work experience in the transition from school to the labour market. Employers have to satisfy a quota of places (most having to have at least three per cent of their workforce on the YTP) and the trainees are subsidised to the extent of 90 per cent of their earnings. However, the scheme is mainly designed for those unemployed for over two years and is limited to those under 30 years old.

The Third Work Circuit introduced in 1982 and still current is a type of make-work scheme that attempts to help those out of work through structural changes in the economy. The scheme is open to the long-term unemployed who

have been unemployed for two years out of the last four, as well as certain other disadvantaged groups such as those unemployed aged over 40 in low income households. The participating employers must have had stable or expanding workforces over the three years prior to their application for approval of their work project which, if granted, allows them to claim 95 per cent of the salary of those employed, based on civil service pay scales.

Two other measures introduced prior to the 1984 Resolution are worth mentioning. First, the Interdepartmental Budgetary Fund for Employment Promotion, set up in 1982, attempts to encourage the creation of jobs for the unemployed in certain governmental agencies at a local and national level. Most of the places created are for the long-term unemployed, the eligibility requirement being that they must have been out of work for at least a year in the previous four, including those who have voluntarily stopped receiving benefit. The scheme is also open to those receiving supplementary benefit (as opposed to unemployment benefit) for at least six months. The cost of the scheme is borne partly by the Government and partly by the employing department. The numbers affected are quite small.

Finally, a scheme to encourage the creation of extra jobs was introduced in 1982 to be completed by the end of 1986. The Plus One and Plus Two scheme was aimed at the self-employed who were encouraged to take on one or two extra workers from the ranks of the long-term unemployed in return for a reduction in the employer's national insurance contributions. No figures are available on the uptake of this scheme and there is no evaluation that can assess the scheme.

3.3 Post 1984 Resolution

All four measures introduced prior to the 1984 Resolution are still in operation. Since 1985 there have been two additional measures to help encourage employment of the long-term unemployed. The first of these is the Subsidised Contract Employees scheme introduced towards the end of 1986. This enables local authorities to take on the registered unemployed for non-commercial activities. The scheme is open to those unemployed for at least six months plus certain other groups such as unemployed persons aged over 40 in low income households and those receiving supplementary benefit for at least six months. The local authority receives an allowance of BF400,000 per person per year (assuming it meets the criteria of the scheme regarding

training and non-substitution of permanent staff) and exemption from social security contributions. The form of contract offered is flexible though most would tend to be for a fixed term for a specific task such as a community-based project.

The second measure involves a reduction of employer's social security contributions and was introduced in January 1987 with a finite life until 1992. The scheme is open to all employers who take into employment the following persons:

- o long-term unemployed aged between 18 and 25 who have been registered as unemployed for at least one year or not classed as chomeurs complets indemnises (CCI) but have nevertheless been registered with the employment office as seeking work for at least 18 months;
- o all registered unemployed of at least two years duration; and
- o those seeking employment in receipt of supplementary benefit for at least six months.

The scheme is relatively new and there are few details available on its take-up.

This latest scheme, together with those still in operation but introduced prior to 1985, probably accounts for only a small proportion of the total long-term unemployed. Because most of the schemes are open to groups of unemployed in addition to just the long-term unemployed, it is difficult to provide any statistical measure. Table 3.2 lists the current measures and provides some details of take-up.

Table 3.2 Belgium: Summary of Special Measures
(Take-up numbers as at March 1987)

Scheme	Take-up
Pre-1984	
Youth Training Programme	34,329
Third Work Circuit	21,290
Interdepartmental Fund	n/a
Plus One/Plus Two	n/a
Post-1984	
Subsidised Contract	28,647
Social Security Concessions	n/a
n/a: not available	

Source: Office National Pour l'Emploi

3.4 Summary

The labour market measures introduced to date in Belgium to help combat long-term unemployment have been limited. Most of the measures are not precisely targeted to the long-term unemployed group but cover other labour force sub-groups as well. Thus in the 'Third Work Circuit' scheme, though the intention is to help direct the long-term unemployed (with over two years unemployment) into a subsidised job, it is likely that they assume a secondary place when it comes to getting the jobs. This is because the scheme is also open to other groups such as those on work experience who are not classified as long-term unemployed. It is also interesting to note that most of the schemes are aimed at the longer durations of unemployment, with at least two years registration being the norm. This may in part reflect the particularly high levels of LTU (as conventionally defined) in Belgium, where the critical group given the limited availability of policy instruments is seen as those longest without work.

Thus the response to the 1984 Directive appears to be limited. Little or no evaluation of these measures has been made available. However, given their scope and scale it is reasonable to suppose that they can have a very modest impact on the overall levels of LTU in the medium term.

4 Denmark

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4.1 Background

Compared to the other Member States, Denmark has two notable features: it has the lowest rate of long-term unemployment and the rate has declined somewhat of late (see Table 4.1). This fact has only surfaced since 1979 when 43,800 people were then classified as long-term unemployed, defined as those out of work for over 80 per cent of the year. The number doubled to 95,000 by 1983, accounting for three per cent of the workforce and 34 per cent of those registered as unemployed.

Table 4.1 Denmark: Long-term Unemployment, 1984-86

	1984		1985		1986		Percentage Change in Numbers 1984-86
	Numbers (000s)	%	Numbers (000s)	%	Numbers (000s)	%	
Total Unemployed	276	10	252	9	230	8	-16
Long-term Unemployed	95	34	n/a	n/a	76	33	-20
n/a = not available							

Source: Chapter 2, Volume II

4.2 Approach

Prior to 1984, the Danish approach to the problem of LTU was characterised by a combination of five demand and supply measures, with more emphasis on the former, as outlined in Table 4.2.

Table 4.2 Denmark: Measures for the Long-term Unemployed

	(thousands)				
	1983	1984	1985	1986	1987
Job Offer Scheme	61.6	59.6	50.5	n/a	n/a
Youth Unemployment Measures	48.3	50.8	44.3	39.0	n/a
Pilot Youth Guarantee Programme (1980-82)	-	-	-	-	-
Rehabilitation of Disabled Persons	NK	NK	NK	NK	NK
Early Retirement Scheme	NK	NK	NK	NK	NK
Education and Training Allowance for Young Long-term Unemployed	-	0	0.3	NK	NK
Education and Training Allowance and Enterprise Grants	-	-	4.8	1.9	NK
Total	109.9	110.4	99.9	40.9	-

NK = Not Known

n/a = not available

a. Demand-side Measures

The Job Offer Scheme, introduced in 1978 and still in operation, is by far the most ambitious of the measures. The scheme has three objectives:

- o to retain and conserve the work skills of the long-term unemployed by offering them a temporary job at a normal place of work;
- o to increase the overall level of employment in the economy; and
- o to ensure that the unemployed continue to qualify for various benefits by making themselves available for work.

The Scheme has additionality provision, the offers relating to work in the private sector for nine months and in the public sector for seven months; with normal salary and working conditions applying in both cases. The Scheme is targeted at those below the age of 60 who receive unemployment benefits. Job offers are made before they have been unemployed for 21 months during any 27 month period. In 1981, the waiting period for young people under 25 was reduced, to 12 months in a 15 month period.

The Scheme's effectiveness can be measured by the staying on rate and the post-programme employment placement experience. About two-thirds of the participants stay for the full nine months of the offer in the private sector: the rest drop out, about half within the first two months. However, this staying on rate is considered satisfactory. Comparable data for the public sector are not available. As for the post-programme labour market status, analysis carried out on one particular group - that of 1980 - showed that:

- o one-third of the participants got jobs after participation in the Scheme and experienced no unemployment in the following year;
- o another third did not improve their status: in the year after participation in the Scheme, they were unemployed 80 per cent of the time, thus being classified as long-term unemployed; and
- o the final third were unemployed for between 20 and 80 per cent of the following year.

There were differences in the success rate between sectors: those taking part in the Scheme in the private sector were unemployed for 55 per cent of the following year on average, compared with 64 per cent in the public sector.

A shortcoming is that participants are entitled to vocational training for a maximum of two months while on the Scheme, but very few in fact receive it

except on-the-job. This is believed to be largely due to unawareness on the part of employers and employees.

In addition to the Job Offer Scheme, a large number of separate measures have been undertaken since 1975 to combat youth unemployment. These have involved vocational and career guidance; temporary job creation; and combined education and job offers. The State Employment Service is responsible for finding 'extra-ordinary' jobs in the private sector; and municipalities and counties are responsible for providing jobs in the public sector as well as guidance courses. The results of the measures have varied. It has been found that after participating in a work creation project, typically 25 to 35 per cent of the participants continue in a job or education, compared to 50 per cent in subsidised private sector jobs and more than 60 per cent combined education and job projects. The latter have been notably successful in motivating those young people with a perceived distrust of education and vocational training.

The youth-oriented measures were temporarily augmented by the Pilot Youth Guarantee Programme, operating in 1980-83. It was designed to help the weakest element of the long-term unemployed youth by systematic out-reaching; individual guidance; education and training; combination of education and job offer (in private or public sectors) or special work experience project; or a job offer in either private or public sector. Some 5,800 young workers were assisted under the Programme. Eleven per cent then continued or entered education or training; 21 per cent got a job and over 60 per cent returned to unemployment.

b. Supply-side Measures

The fourth measure is Rehabilitation and Employment for Disabled Persons, but no data are available on the beneficiaries who are also long-term unemployed. That the measure has had a limited success can be indirectly inferred from the finding that in one county, only 15 per cent of all those in rehabilitation centres obtained a job afterwards.

The Early Retirement Scheme is probably the most significant supply-side measure. Although not explicitly impinging on the long-term unemployed, it affects them indirectly in two ways: by removing the older people from the register and by creating job opportunities for the unemployed, including the long-term unemployed. Either way, the objective is to improve the job

prospects for younger persons by creating incentives for older people to withdraw from the labour market. The Scheme is believed to have been successful, although there are no data on how many long-term unemployed have been participating in it.

4.3 Post 1984 Resolution

Since the Resolution, the changes that have been implemented are of an incremental nature and impinge on the Job Offer Scheme. Indeed, they amount to a revision of the Scheme in two specific respects. First, young eligible persons may choose an education or training allowance instead of an offer for a normal job. Second, the eligibility for a second job offer has been substituted by two newer elements: education or training allowance for two years or an entrepreneurial grant for the long-term unemployed to start their own business. The change is indicative of the policy recognition that the long-term unemployed should be offered alternatives to direct job offers.

Instituted in August 1984, the Education or Training Allowance for young long-term unemployed aims to improve their employability through education and training in specific skills. The take-up of the Allowance has been very modest: 76 in 1984 and 349 in 1985, and the rather low numbers are indicative of the low allowance compared to the normal wage in the job offer scheme and unemployment benefit.

In contrast, the Education/Training Allowance (ETA) and Entrepreneurial Grants (EG) for the adult long-term unemployed has had a higher take-up. Started in July 1985, the object of this Scheme is to increase LTU employability by education or training or by subsidising those wishing to start their own businesses.

Empirical evidence shows that both elements have been marginally successful. A little less than half of the participants who completed education or training (before November 1986) got a job afterwards. Indeed, the measures have not had a high take-up rate: only 12 per cent of the target group for ETA and 2 per cent for the EG. The relatively low rate for ETA is due to lack of motivation underpinned by the belief that education and training would not necessarily lead to a job.

4.4 Conclusion

The rate of long-term unemployment in Denmark has shown a downward trend since the 1984 Resolution. The decline appears to owe less to measures since the Resolution, which have been few and with low take-up rates, than to a combination of economic growth and the well established Job Offer Scheme. Youth Unemployment Measures, too, have helped but whether their thrust is essentially targeted to the long-term unemployment is open to argument. However, it is clear that as recently as 1985 the special measures for the long-term unemployed covered more than half the target group. Such coverage is high and there is little doubt that it has served to contain the growth in long-term unemployment in the past three years.

5 Federal Republic of Germany

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5.1 Background

Numbers registered as unemployed have nearly trebled since the economic recession of 1979-80, reaching a peak of 2.3 million (equivalent to 8.6 per cent of the labour force) in 1985. Since then, there has been a moderate improvement which has also been mirrored in the proportion accounted for by the long-term unemployed (see Table 5.1). There has been a notable improvement in the LTU rate since 1984 but the underlying trend is hard to discern owing to a relative deterioration in 1986.

Table 5.1 Federal Republic of Germany: Overall Unemployment and Long-term Unemployment

	(percentages)		
	Overall Unemployment	Long-term Unemployment	
		6 Months and over	12 Months and over
1979	3.2	39.9	19.9
1980	3.3	36.2	17.0
1981	4.4	38.1	16.2
1982	6.7	46.4	21.2
1983	8.0	54.1	28.5
1984	8.7	55.1	32.7
1985	8.6	51.7	31.0
1986	8.2	52.1	32.0

Source: OECD

In the longer-term context, however, there is little doubt about the nature of factors leading to a strong upward trend in this decade. On the demand side, sluggish economic growth combined with a sustained improvement in productivity has limited the economy's capacity to sustain a high level of employment, let alone increase it. On the supply side, the arrival of the baby-boom generation of the 1960s on the labour market has swelled the size of the potential workforce. The combination of these two factors has underpinned the sharpest growth in unemployment since the last war.

5.2 Approach

The FRG entered the last economic recession with a rate of unemployment that was not different from the operationally defined rate of full employment. The LTU rate of 39.9 per cent of the unemployed in 1979 was regarded as high, but not at a level that called for a series of special labour market measures.

Accordingly, prior to the 1984 Resolution, the fight against LTU was narrowly confined to two principal measures, both of which come broadly under the Employment Promotion Act (AFG) 1969. The first of these offered personalised counselling every three months to those who had become unemployed. The second measure sought to promote jobs in the public sector (the so-called ABM-public interest job creation).

5.3 Post-1984 Resolution

However, as the rate of LTU increased sharply after 1982, the number, range and scope of the special measures have been progressively expanded to the extent that currently they cover most categories of assistance. They are described in detail in Chapter 3 of Volume II and a brief description only is given here. That, however, does not detract from the substantive point that the measures amount to a comprehensive approach and one that attempts to tackle long-term unemployment from the demand as well as the supply side.

Placement of Long-term Unemployed: this involves vocational and occupational guidance to the long-term unemployed.

Settling-in Allowance: this is a form of wage subsidy aimed at compensating employers for the initial disadvantages of employing the so-called difficult-to-place unemployed, some of whom are long-term unemployed. Since the middle of 1987, the allowance has been largely confined to those who are either long-term unemployed or severely disabled, in response to budgetary restrictions.

Wage Subsidies on Behalf of Employees in Advanced Age: these are payable in respect of those long-term unemployed who are over 55 years old. The Subsidies are 70 per cent of the standard wages, and payable for five years with tapering after the first year. In 1987, the age threshold was reduced to 50.

Promotion of Vocational Training and Retraining: this is designed to equip all workers - employed as well as unemployed - with skills commensurate with the structural changes in the economy. Long-term unemployed persons are permitted to participate in various programmes under this heading.

Job Creation Measures: these have been considerably increased since 1984. Their central emphasis is on genuine job creation in activities with high social worth or those relating to environmental and infrastructural improvements. They are organised and implemented by statutory bodies. Their beneficiaries are meant to be all unemployed, the long-term unemployed being the dominant group.

Early Retirement: the normal retirement age in FGR is 65 for men and 63 for women. In the last decade, it became possible for those who were long-term unemployed to opt for early retirement.

Supplementary Legal Rules (105 AFG, 1986): since January 1986, unemployed who have reached the age of 58 can go on receiving unemployment benefit even if they refuse a job offer. As a result, some actual or potential long-term unemployed are no longer in the labour market and are excluded from the unemployment register.

New Kinds of Early Retirement: since May 1984, 58 year old workers can opt for early retirement in order to facilitate transition from working life to retirement. Employers pay at least 65 per cent of the latest gross income until the normal retirement age is reached. However, 35 per cent of the employers' payments are rebated by the Federal Institute of Employment if the resulting vacancies are filled by young unemployed workers.

5.4 Evaluation

Table 5.2 gives estimates of the number of long-term unemployed benefiting under the special measures discussed in the last section. On the face of it, the numbers in each case are small in relation to the size of the LTU problem.

Table 5.2 Federal Republic of Germany: Numbers of Long-term Unemployed Covered by Special Measures

	1984	1985	1986
Placement of Long-term Unemployed	-	-	287,000
Settling-in Allowance	35,400	42,500	54,000
Wages Subsidies for Employees in Advanced Age	3,800	3,100	6,900
Vocational Training and Retraining for Long-term Unemployed	-	-	87,000
Job Creation Measures*	71,000	87,000	102,400
Early retirement	40,000	40,000	40,000
Supplementary Legal Rules	-	30,000	40,000
New Kind of Early Retirement	-	38,000**	-

* Cover everyone who is unemployed (including long-term unemployed)

** Rough Estimate

However, it is worth emphasising that the empirical evaluations that have been attempted for some of these measures have been notably favourable.

Taking them in sequence, evidence on the Settling-in Allowance shows that six months after joining enterprises, 69 per cent of the beneficiaries were still employed and only 22 per cent became unemployed again. Some eighteen months later, 68 per cent were still employed (47 per cent in the same enterprise) and 20 per cent had become unemployed.

Studies on the destinations of those covered by the Promotion of Vocational Training and Retraining Programme show that 75 per cent find a job within half a year; indeed, many of them immediately.

Evaluations by the IAB show that the cost of Job Creation Measures is largely self-financing. Taking into account the cost of welfare benefits and income multipliers, about 90 per cent of the cost of the measures is recouped directly or indirectly.

It would therefore seem that the limited evidence available on some of the measures shows that they have been successful on certain acceptable criteria.

5.5 Conclusion

Even as the most successful European economy, the FRG has not been able to escape a strong upward trend in the long-term unemployment rate that is also a characteristic of the economies of the other Member States. As a result, a number of special measures have been introduced in this decade. Although their coverage is somewhat limited in relation to the scale of the problem, some of the measures have been notably effective. There is a clear case for widening the coverage.

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6.1 Background

As demonstrated in Chapter 2, the rate of long-term unemployment in France has increased between 1983 and 1985. Data from a different source indicate that this upward trend has continued into 1986 (see Table 6.1).

Table 6.1 France: Long-term Unemployment, 1985-86

Duration Period	1985		1986		% Change in Number 1985-86
	Number	%	Number	%	
Under 1 year	1,728,703	70.3	1,765,868	69.7	+ 2.1
Over 1 year	730,014	29.7	766,008	30.3	+ 4.9
- 1-2 years	450,344	18.3	458,864	18.1	+ 1.9
- 2-3 years	154,238	6.3	170,818	6.7	+10.7
- 3 years +	125,430	5.1	136,324	5.4	+ 8.7
Total	2,458,717	100.0	2,531,876	100.0	+ 3.0

Source: Agence Nationale Pour l'Emploi

France was one of the first member countries to have an active programme of measures specifically directed towards the long-term unemployed. The first identifiable scheme was established in 1979 and took the form of a direct job subsidy (or 'employment incentive premium') which offered employers FF8,000 if

they took on a long-term unemployed person. The fact that the scheme was abandoned in mid-1981 after a poor record of uptake and an undoubtedly high level of deadweight (only 6,100 placements had been made over the period whereas the target had been around 14,000) was a clear indication of the ineffectiveness of this type of measure and its lack of appeal to employers.

The change of government in 1981 provided a clear watershed in the attitude towards the problem. The new government instituted an expansion of programmes involving both demand and supply side measures. Of course, the political impetus was accompanied by a recognition that there was a real need for interventionist measures as long-term unemployment began to affect the core labour force of those aged 20-50, in addition to the younger and older age categories. This recognition has endured the change of government in 1986, thus overriding the political expedient evident in earlier policy responses. Of late, however, the policy attention has shifted to economic growth as the primary weapon in the fight against LTU.

6.2 Approach

As already mentioned, the earlier approach to assistance involved direct subsidy to those employers recruiting from the ranks of the long-term unemployed. Post 1981, the emphasis switched to counselling the unemployed through interviews at the local offices of the Agence National Pour l'Emploi (ANPE) in order for potential skills to be developed and job opportunities identified. Unfortunately, there is less evidence that the ANPE had the necessary information to provide an informed view of the likely skills needed in the local labour markets over the training cycle. Their efforts were, therefore, based on ad hoc information.

The counselling sessions were held at unemployment intervals of four months and 13 months, involving a thorough discussion with the unemployed person and the identification of potential training courses. The quality of the advice given would, of course, vary with the individual member of the ANPE. The ability to assist the long-term unemployed would also be largely conditioned by the existing and anticipated demand for manpower in the local labour markets. Alongside counselling, there were no major labour market measures in operation. So those distributing the advice had few options. But this situation was soon changed.

In July 1983, for example, a special training scheme for the long-term unemployed was introduced. It took the form of funding for attendance at either a specially designed course or on an existing training course (not just with unemployed participants). The target was for 58,000 placements each year. The suitability of the training would normally be determined during the regular interview, but the long-term unemployed could also put themselves forward as participants for consideration at any time.

6.3 Post 1984 Resolution

Thus by the time of the December 1984 Resolution, France already had the emphasis of its special measures for the long-term unemployed firmly swinging towards the supply side, in that the training measures were specifically aimed at improving the quality of skills offered by the long-term unemployed.

a. Supply Side Measures

This trend was reinforced in July 1985 when a special training scheme for the long-term unemployed was introduced with a target take-up of 100,000 places by the end of that year. The measure essentially reinforced the existing training courses for the unemployed but was also specifically designed to meet the needs of the long-term unemployed. This was done through a modular approach with an average duration of 600 hours, combining the usual elements such as refresher courses, acquisition of a new skill, help in job search techniques and other related activities. The scheme was judged a success and has been twice renewed at the beginning and in the Autumn of 1986.

A further development on the training side involves the Alternating Retraining Systems. This scheme has two elements, the first of which involves employment contracts which enable employers to take on the long-term unemployed aged over 26 on a job with a recognised commitment to training that lasts at least 600 hours in total. The minimum duration of the contract is two years and for this the employer is exempted from social security payments for the individual concerned for a year. The costs of the training are met by the government. The second element is the training course which enables those long-term unemployed with a particularly long period without work to follow a five month course attached to an employer. The course consists of at least 600 hours of training split equally between attendance at a centre and training with an employer.

During the five month period the scheme covers the trainees' wages. At the end of the training period the hope is that the employer will take on the trainee as a full-time employee in return for year-long exemption from social security costs.

b. Demand Side Measures

In June 1985 the government introduced a direct subsidy to employers who took on the long-term unemployed on a part-time contract. The subsidy of FF6,000 was paid to top up the normal unemployment benefits paid and this was later reduced to FF3,000. By the beginning of 1987 the scheme was abandoned in the light of new training courses which tended to cover the same target group.

Perhaps the best known and most extensive demand side measure aimed at the unemployed in general is the Travaux d'Utilité Collective (TUC) programme launched in 1985. Initially the scheme was targeted towards the young unemployed (aged under 25) and established places in community based projects with a strong (and monitored) training element for 12 months in the hope that it would give them the skills necessary to find a real job after the TUC had ended. The TUC was the precursor for a specially designed scheme introduced in April 1987 for those aged over 25. It had elements of a community-based job (for a maximum period of six months, renewable once only), with specific duration (between 80 and 120 hours per month), and a subsidy to the sponsoring organisation to help cover the costs of organisation (FF500-700). The participants are paid an allowance equivalent to their normal unemployment benefit.

6.4 Conclusion

The range of measures introduced in France to combat LTU started in the late 1970s with an emphasis on demand side measures, particularly the direct subsidy to employers. However, these proved inadequate and over time the policy emphasis has switched in favour of supply side efforts, with training and counselling being particularly prominent.

When assessing the efficacy of the special measures, it is difficult to extricate the specific benefits from other factors which have helped to moderate the growth in long-term unemployment. These include the effects of economic growth, early retirement policies and the positive attitude shown towards the encouragement of self enterprise. Yet the problem has persisted, and worsened since 1984 (see Table 6.1). Currently the total places created on the schemes listed in Table 6.2 is around 207,000, representing 27 per cent of the total long-term unemployed in 1986. In the absence of the special measures currently in force, the rate of long-term unemployment in France would be significantly higher. In that narrow sense, the measures can claim some success.

Beyond that, the measures have two appealing features. First, they constitute a strategic approach in that they embrace demand and supply elements. Second, they put emphasis on prevention of long-term unemployment as well as the reintegration of those who suffer that fate. Indeed, the reliance on counselling and training goes beyond the imperatives of prevention and reintegration: it explicitly takes account of the fact that long-term unemployment is a structural problem whose solution lies in improving the skills of the long-term unemployed.

Table 6.2 Summary of Special Measures
(Places offered to adult long-term unemployed, 1987)

Scheme	Places
Pre-1984	
FNE training courses	45,000
Modular courses	86,000
Training courses	19,000
Post-1984	
Alternating reintegration contracts	10,000
Alternating reintegration courses	20,000
Community-based activities*	27,000
Total all schemes	207,000

* Does not include those on local integration programmes

Source: Agence Nationale Pour l'Emploi

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7.1 Background

In the aftermath of the oil crisis in 1979 unemployment rose sharply - from 280,000 in 1979 (6.5 per cent of the working population) to a peak of 960,000 in early 1984 (17.7 per cent). Since then, however, there has been a notable improvement: by May 1987, the number of registered unemployed totalled 650,000 (13 per cent).

However, the share of long-term unemployment - covering those unemployed for more than 12 months - has steadily increased. In 1973, LTU accounted for some 12 per cent of total unemployment. By 1984, it increased significantly to 53 per cent. In 1987, the figure is expected to be around 56 per cent (see Figure 7.1). Within this total, the share of very long-term unemployed (covering those out of work for more than three years) has increased dramatically (Figure 7.2).

Economic recovery in this decade has had a notable impact on the rate of unemployment; though much less so on the rate of long-term unemployment. At present, the Government's declared aim is to reduce unemployment to a maximum of 500,000 by 1990. No explicit target has been formulated for LTU, but it is recognised as a serious problem and has attracted a number of new policy initiatives.

7.2 Approach

The most important feature of the policy approach to LTU is its 'package' nature, relying as it does on economic growth on the one hand and special

Figure 7.1 Development of LTU

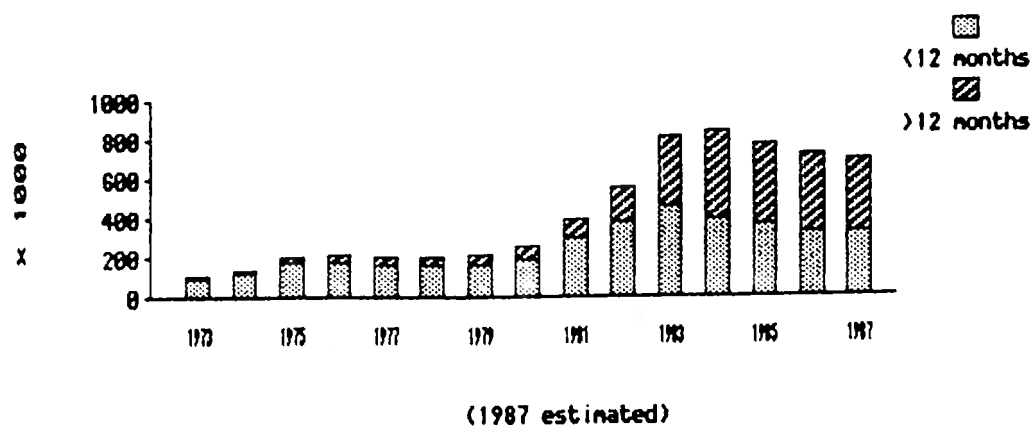
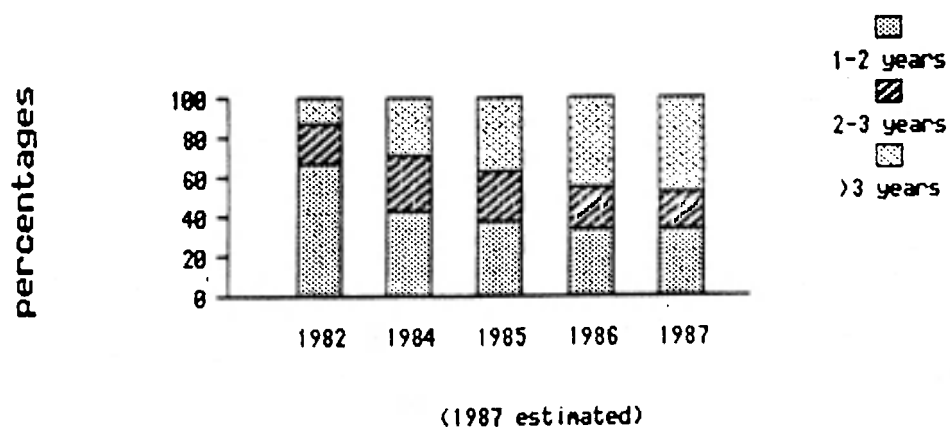


Figure 7.2 Composition of LTU



labour market measures on the other, the latter cover training, employment subsidies and direct job creation. Thus, the approach has both the supply-side and the demand-side elements. It is also worth emphasising that the measures introduced after the 1984 Resolution constitute distinct programmes but they also build on previous measures. As a result, it is more appropriate to look at their evolution, rather than identify the pre- and post-1984 differences.

7.3 Post-1984 Resolution Measures and their Historical Evolution

a. Training

Training provision has a long history. Adult (Administrative) Vocational Training Centres (C(a)VVs), have existed since 1944. They are an essential part of the nationwide employment service, 24 centres for technical training. More recently, eight centres have been established to extend the provision to administrative training. In either case, the object is to provide day-time facilities for the unemployed or those threatened with unemployment in order to improve their labour market position. Beyond that the Centres also provide vocational training courses for unskilled workers and recently have become more comprehensive in their provision. They now cater for market-oriented training as well as individual-oriented training. The latter is designed to enhance the competitive position of such groups as the unskilled, minorities, women and physically handicapped.

A new scheme - the Training Framework Scheme (KRS) - was launched in January 1987 to provide training for both the unemployed and those in employment. It is designed to create a framework for supporting and stimulating retraining. Unlike earlier schemes, the allowance under the new scheme is not based on fixed amounts but is a percentage contribution to the training costs. An unemployed person can get a 100 per cent reimbursement of training costs, depending upon the relevance of the training to local labour market needs. Likewise, employers can get a subsidy of 50 per cent of training costs for employees who have worked for less than six months in the firm, and 25 per cent for other employees.

Finally, a new measure - Primary Vocational Adult Training (PBVE) - has been introduced in 1987. It is especially focused on unskilled, unemployed married women and ethnic minorities. It integrates existing educational infrastructure at regional level. Under it, schools and training centres draw up an annual regional training plan in which labour market developments indicate the kind of jobs for which there is demand and for which training is necessary. If the plan is approved, participating schools and centres get an additional subsidy on top of their normal income.

b. Employment Subsidies

There are three types of job subsidy currently available: one for temporary work for the young unemployed, giving wage cost subsidies, a more generous one for the very long-term unemployed and a third type for those unemployed for a year.

In late 1984, the first of these subsidies, the Youth Development- Job Scheme (JOB), came into effect on a trial basis. Long-term unemployed youngsters (under 25 and unemployed for at least two years) get a temporary job through a special non-profit making employment agency. These jobs involve 20 to 32 hours of work per week, for which the employers receive a subsidy of 33 per cent of the legal minimum (youth) wage of the person concerned. After a successful initial trial, JOB went nation-wide in Spring 1987.

The other two measures are Measures to Support Integration into the Labour Market (MOA), and the Scheme for the Long-term Unemployed (MLW).

MOA replaces the earlier Placement Promoting Measure (PBM), only providing a wage cost subsidy for the employment of certain categories of unemployed persons. Through MOA, an employer is given a subsidy of 1000 guilders per month for up to six months for taking on an unemployed person who has been out of work for a continuous period of more than 12 months. The scheme puts emphasis on training - especially of a rehabilitation nature directed at reviving work habits. The scheme rules out undesirable substitution: that is, direct replacement of normal workers by the unemployed.

Under the MLW, employers are exempt for a specified period from paying their part of social security contributions (about 20 per cent of the wage cost) if they hire a long-term unemployed person. The contract must provide for an

average working week of 15 hours and collectively agreed wages or, failing that, the statutory minimum wage. Persons eligible under the scheme must have been unemployed for a continuous period of three years and must be at least 21. Again, there are a number of clauses prohibiting undesirable substitution.

c. Direct Employment Creation

There are a number of so-called plough-back projects, especially for long-term unemployed construction workers. Under these, the government funds major infrastructural projects and claws back a certain amount through savings on welfare benefits and higher tax revenue if long-term unemployed are involved in the projects.

Alongside, since 1979 there has been in operation the Employment Creation Scheme (WVM), designed to provide work experience for the most vulnerable groups of the unemployed. Persons who have been unemployed for at least 12 months (nine months for those under 23) are eligible for a subsidy which can be given for a maximum of 12 months.

In April 1987, the Temporary Provision for Local Employment Initiatives for Young People (GWJ) was introduced. Under it, municipalities and grant-aided organisations may offer temporary jobs, including training. It is intended to be a precursor of the Youth Employment Guarantee Scheme (JWG), which is expected to become operational at the end of this decade. The purpose of JWG is to guarantee a job in the public sector to all those under 21 who have not yet found a job or started on training. This is a radical departure in that such guarantees have never been provided before in the Netherlands.

7.4 Results

When evaluating the Dutch special measures to combat LTU, three yardsticks have to be applied: the coherence of the measures as such; the range of measures and the number of long-term unemployed they cover; and the effectiveness of the individual measures.

Taking them in turn, the number of long-term unemployed has declined (Figures 7.1 and 7.2). This has been helped by the new package of measures which are complementary and more market-oriented. The package has an internal coherence

and a clear focus on twin objectives: job creation and skills upgrading. The emphasis on training is a deliberate one because the package recognises that unskilled workers are particularly disadvantaged due to the rapid structural change in the economy. That said, it is worth recording that the participation of the unemployed in the training schemes is uneven, especially by age-groups. Long-term unemployed over 40 years of age have a negligible participation rate.

The range of measures is still limited, despite a recent increase in the coverage (see Table 7.1), and less than 12 per cent of all unemployed people are currently covered by special measures.

**Table 7.1 Training, Wage Subsidies and Direct Employment Creation:
in 1000 Man-years and Related to (Long-term) Unemployment**

	1984	1985	1986	1987(1)
(1) training ⁽²⁾	31.6	31.0	43.9	54.0
(2) wage subsidies ⁽³⁾	6.7	8.2	73.6	9.5
(3) employment creation ⁽⁴⁾	17.1	13.0	8.8	6.5
(4) total	55.4	55.2	56.3	70.0
(5) total (4)/unemployed	6.7%	7.3%	8.0%	11.7%
(6) (2)+(3)/LTU	5.9%	5.2%	3.2%	7.7%

Notes:

- (1) provisional
- (2) C(A)VV+CBB+KRS+PVBE+ some minor measures not mentioned in the text
- (3) JOB+MOA+MLW
- (4) WVM+GWJ

Finally, not all measures have been evaluated in terms of their effectiveness. A few that have (eg, WVM, employment creation in the public sector) tend to suffer from some weaknesses, notably substitution or displacement. On the whole, however, Chapter 5 in Volume II shows that most of the measures can claim a satisfactory level of success. Equally, it is clear that in themselves they are not enough. In particular, the training-oriented measures need to be augmented in order to improve employers' perceptions of the long-term unemployed.

7.5 Conclusion

In the Netherlands, the fight against long-term unemployment is showing signs of success in the sense that there has been an absolute decline in the number of long-term unemployed. However, as a percentage of total unemployment, the rate of LTU has continued to increase. The implication is that the fruits of economic recovery are disproportionately distributed. More fundamentally, the special labour market measures designed to complement growth, have had relatively low coverage of the long-term unemployed, though most of them can claim a modest success in their overall effect. Thus, there remains a need to widen the coverage of the measures.

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Ministerio de Trabajo & Seguridad Social

8.1 Background

Since the beginning of the 1973-74 economic recession, unemployment has increased rapidly: from 697,000 in 1976 to three million in 1985, or the equivalent of from 5.3 per cent to 22 per cent of the workforce. Over the same period, long-term unemployment as a proportion of total unemployment increased from 17.5 per cent to 56.2 per cent (see Table 8.1).

Recent trends in unemployment have two distinctive features. First, the overall unemployment rate appears to have peaked at 22 per cent in 1985 and has since shown a decrease. Second, there is no evidence of a similar reversal in the rate of long-term unemployment which, if anything, appears to have increased notably since 1984 (see Table 8.1). However, within this overall upward trend, there is a differential pattern between different age groups: those under 25 have witnessed a decline in their rate of LTU from 56 per cent in 1981 to 47 per cent in 1986. This at a time when the adult rate has continued to increase (see Chapter 6, Volume II).

8.2 Approach

Prior to the 1984 Resolution, the approach to the LTU problem was modest and largely reliant on the regeneration of economic activity. Where there were special labour market measures, they were specifically aimed at job creation through subsidies to employers.

In this context, two measures are noteworthy, Indefinite Contracts for Long-term Unemployed over 45 and Unemployment Subsidy for Long-term Unemployed over 55. The first of these was introduced in 1983. Under it, companies that contract long-term unemployed workers over forty-five years of age for an

Table 8.1 Evolution of Long-term Unemployment in Spain (1976-1986)

Years(1)	Unemploy- ment Rates	No. Unemployed ('000)			Variation Rates (%)			Ratios (%)		
		Total Unemp.	LTU	VLТУ	Total Unemp.	LTU	VLТУ	Total LTU Unemp.	VLТУ Unemp.	VLТУ LTU
1.976	5,3	697,0	121,8	29,4	--	--	--	17,5	4,2	24,1
1.977	6,3	832,4	160,3	39,8	19,4	31,6	35,4	19,3	4,8	24,8
1.978	8,2	1.083,3	323,2	78,6	30,2	101,6	97,5	29,8	7,3	24,3
1.979	10,1	1.334,2	362,9	111,2	23,2	12,3	41,5	27,2	8,3	30,7
1.980	12,6	1.620,3	558,3	186,7	21,5	53,9	67,9	34,5	11,5	33,5
1.981	15,4	2.015,0	868,3	354,0	24,4	55,5	89,6	43,1	17,6	40,8
1.982	17,0	2.261,9	1.104,8	540,4	12,3	27,2	52,7	48,9	23,9	48,9
1.983	18,4	2.469,0	1.315,0	729,3	9,2	19,0	35,0	53,3	29,5	55,5
1.984	21,7	2.925,8	1.558,6	921,6	18,5	18,5	26,4	53,3	31,5	59,1
1.985	22,0	2.999,8	1.689,0	1.041,6	2,5	8,4	13,0	56,3	34,7	61,7
1.986	21,2	2.943,5	1.652,8	1.055,2	- 1,9	- 2,2	1,3	56,2	35,9	63,9

(1) Fourth quarter of each year

Source: INE, Labor Force Sample Survey and our own elaboration

LTU: Long term unemployment: 12 months or more

VLТУ: Very long term unemployment: 24 months or more

indefinite period receive a specified grant for each person contracted and a 50 per cent reduction in the employer's contribution for the contracted worker throughout the life of the contract. The second measure was introduced in 1984. Under it, workers over 55 receive a subsidy equivalent to 75 per cent of the minimum wage for taking early retirement.

Thus the early approach had two key features: its emphasis was on adult long-term unemployed and it had demand-side as well as supply-side elements.

8.3 Post 1984 Resolution

Spain joined the European Community in 1986. Since then, it has implemented a large scale programme of measures directed at combating LTU. The programme attempts to achieve two broad objectives: job creation and/or training for the long-term unemployed. A series of individual measures has been introduced to achieve either of these objectives and they are described briefly in the next two sub-sections.

a. Job Creation Measures

Seven separate measures have been implemented:

Support for Employment in Co-operatives: introduced in 1986, its object is to support the creation of jobs in co-operatives through the availability of financial grants to reduce interest payments on loans; grants for technical assistance; and grants for taking long-term unemployed persons under 25.

Promotion of Self-Employment: introduced in 1986, its object is to promote the projects that assist autonomous workers or self-employed from within the ranks of the unemployed under 25. Assistance covers financial grants with a one-off grant providing the minimum income during the start-up period.

Salary Support for Contracting Women in Professions or Trades where they are Under-represented: started in 1986, its object is to assist the employment of long-term unemployed women under 25 in activities where they are under-represented. Employers who hire them are entitled to a grant provided the contract is for an indefinite period and there is no substitution.

Promotion of Local Initiatives to Create Employment: started in 1986, its objective is to offer financial assistance towards those programmes that generate stable employment within small and medium size firms for the long-term unemployed under 25.

Exceptional Salary Support for New Apprenticeship Contracts for Young People: introduced in 1986, its object is to encourage employers through financial assistance to provide apprenticeship contracts for a minimum of six months for the long-term unemployed under 25.

Salary Support for New Apprenticeship Contracts: started in 1987, its objective is to encourage employers through financial assistance to provide apprenticeship contracts for full-time work for the long-term unemployed over 25 qualified in Second Grade Professional Training or the equivalent.

Collaboration Agreements: introduced in 1985, these seek to establish the basis for collaboration between the National Employment Institute and the Organisations of State Administration, Autonomous Communities and Local Corporations in providing for unemployed workers. When selecting workers to be contracted, preference is given to the long-term unemployed, subject to aptitude.

b. Vocational Training Measures

Under this heading three separate measures have been implemented since February 1986:

- o one intended for the long-term unemployed over 25 years of age;
- o one intended for the long-term unemployed in rural areas; and
- o one which allows certain categories of the long-term unemployed to participate in other courses within the Training and Professional Institution Plan.

A number of varied measures have been introduced since 1985 and their evaluation is now discussed.

8.4 Evaluation

There is little doubt that the reduction in the rate of overall employment (Table 8.1) in 1986 is largely due to economic growth, but that does not detract from the fact that the recent spate of special measures have also had some impact, especially on the age composition of the long-term unemployed. Given their newness, no empirical evaluation of the measures has yet been attempted, but there is a strong consensus within Spain that their thrust is in the right direction.

Unlike the measures in other countries, they also have a high coverage. As Table 8.2 shows, between them they have some 807,565 beneficiaries, some of whom, of course, benefit from more than one measure. But the fact remains that there has been a notable change since the 1984 Resolution in the content and scope of the policy effort in the fight against long-term unemployment. Now, anything up to a third of the long-term unemployed come under one of more of the special measures.

Table 8.2 Spain: Number of Long-term Unemployed Benefiting from Various Measures

	1986	1987
Indefinite Contracting of Workers over 45	9,290	13,300
Support for Employment in Co-operatives	5,439	5,500
Promotion of Self-Employment	3,365	4,600
Salary Support for Contracting Women in Under-represented Professions	80	100
Promotion of Initiatives to Create Employment	1,849	2,200
Salary Support for New Apprenticeship Contracts (1986)	4,691	-
Salary Support for New Apprenticeship Contracts (1987)	-	11,000
Contracts through Agreements INEM/Public Administrations	309,307	326,000
Vocational Training for Long-term Unemployed over 25	45,338	47,522
Vocational Training in Rural Areas	44,507	50,000
Other Vocational Training Programmes	179,488	347,343
Total	603,354	807,565

8.5 Conclusion

The long-term unemployment rate in Spain has more than trebled since 1976, to a level at which it represents some 56 per cent of those out of work. The economic recovery of the last three years has had a beneficial, though marginal, impact on overall unemployment; but hardly any on long-term unemployment.

Since 1985, there has been a notable increase in the scope and number of labour market measures specifically targeted at LTU. It is too soon to assess their effectiveness, but there is a consensus on both their relevance and central thrust. Already they are beginning to affect the age composition of the long-term unemployed. Those under 25 no longer constitute the group most affected by LTU.

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9.1 Background

In the UK, unemployment rose so rapidly in the recession of 1979-82 that it far outpaced the policy response. In that three-year period, the number of registered unemployed increased by 125 per cent and the rate of long-term unemployment increased from a quarter of all those unemployed to a third. The increase occurred at a time when the main thrust of the macroeconomic policy was directed at reducing inflation and improving the efficiency of the manufacturing base. The underlying trend in the rate of LTU has since continued to increase, although there has been a fall in the absolute number since 1986 (see Table 9.1).

Table 9.1 United Kingdom: Long-term Unemployment, 1986-87
(July each year)

Duration Period	1986		1987		% Change in Numbers 1986-87
	Numbers	%	Numbers	%	
Under 1 year	1,931,800	58.9	1,668,200	57.4	-13.6
Over 1 year	1,347,800	41.1	1,238,300	42.6	- 8.1
Total	3,270,600	100.0	2,906,500	100.0	-11.1

Source: Employment Gazette

The increase occurred at a time when there were certain remedial measures already in existence. The Youth Opportunities Scheme, for example, was aimed at helping school leavers find a job with a recognised training element. Similarly, the Job Release Scheme, established in 1977, offered a subsidy to companies with early retirees provided they were replaced with a registered unemployed person. The scheme is still in operation. The long-term unemployed were also eligible for other measures introduced to assist the unemployed in general, though significantly it was some time before particular measures geared towards the long-term unemployed appeared.

9.2 Approach

The approach towards combating long-term unemployment in the UK has three broad aspects working simultaneously. The first aspect emphasises the importance of sustained economic growth that encourages enterprise and employment and will, it is hoped, ultimately lead to the creation of more jobs. The government would point to its success in creating a significant net increase in jobs over the past three years, though many of these have been taken up by the new entrants to the labour market such as housewives and school leavers. It is not clear what proportion of new jobs has been filled by the long-term unemployed, though it is likely to be comparatively small given the observed preference amongst employers for recently unemployed rather than long-term unemployed (Meager and Metcalf, 1987).

The second aspect emphasises the improvement in the effectiveness of the labour market. This has been tackled through such measures as a programme of deregulation which has attempted to remove the barriers to the growth of new businesses. It has also involved a heavy programme of improved training arrangements for young people and adults, as typified by the Youth Training Scheme (YTS). YTS was first launched in 1983 and has since been expanded to a two-year scheme for 16 and 17 year old school leavers. It recognises the need for a more structured approach to training with wider availability, whilst at the same time helping to protect a particularly vulnerable group in the labour market, namely, the young unskilled school leavers with limited or no formal educational qualifications. Currently there are about 350,000 undergoing YTS training. Another element in the second approach has been to encourage self enterprise amongst the unemployed through the Enterprise Allowance Scheme. This is open to all unemployed adults who are in receipt of unemployment benefit and have at least £1,000 available to invest in their enterprise.

There were 93,000 people benefiting from this scheme in July 1987.

The third aspect focuses on overt job creation. Prior to the end of 1984 and the European Community Resolution, the main job creation scheme in force was the Community Programme (CU). This was first introduced in December 1982 with around 130,000 places and is basically a 'make work' type scheme which provides work for the long-term unemployed in community-based projects in return for an allowance. Work could be either full- or part-time and for periods of up to a year. Since its introduction the number of places available has been increased (see Table 9.2).

9.3 Post 1984 Resolution

By the time of the 1984 Resolution, the UK government had already started to target policies towards the long-term unemployed, albeit to a limited extent. However, most of the efforts to that date were of a demand side nature. There had been little, if any, attempt to target training programmes at the long-term unemployed, for example.

a. Demand Side Measures

The Community Programme (CP) first introduced in 1982 (see above) remains the main demand side measure aimed specifically at the long-term unemployed. Currently, it is open to registered unemployed aged 18-24 who have been out of work for at least six of the last nine months and those aged 25 and over who have been unemployed for at least 12 of the last 15 months. The participants receive a wage equivalent to the 'local rate for the job' and some of the schemes have a training element, though in most cases this is somewhat limited. Since the Resolution the number of places available has been increased in 1985 to 230,000 and currently (July 1987) there are around 230,000 people actually on the schemes, which may be either full or part-time and for periods of up to one year.

The Community Programme has been subjected to occasional scrutiny by the Department of Employment. The cost of the programme in the financial year 1986-87 is estimated to be in excess of £1bn and the average length of participation is around nine months. The Department of Employment claims that its surveys of participants show a 'generally stable level of satisfaction'

with the scheme. In the last full survey, for example, 16 per cent of participants felt that their CP experience would make it very much easier to get a (real) job afterwards, and just under half (40 per cent) felt it would make it a little easier. The proof of the statistics, however, is less complimentary. For example, around 29 per cent of participants went into jobs or full-time education or training on completion of CP and 54 per cent had had one or more jobs between leaving CP and the time of the survey.

The Jobstart Allowance was introduced in 1985 and provides an allowance to those unemployed for 12 months or more when they take a job that pays less than gross earnings of £80 per week. The £20 allowance is paid for six months and, although taxable, does not affect some types of benefit that the recipient might be entitled to (such as Housing Benefit, for example) and is also free of national insurance contributions. The scheme had around 6,000 people receiving the allowance in July 1987. It is difficult to judge the success of this scheme and the Manpower Services Commission, the administering agency, have not done any evaluative analysis themselves. It is unclear, for example, whether those long-term unemployed taking a low paid job supported by the allowance would have taken it regardless of the scheme. Nor is there any evidence to show separations after the relatively short six month payment period expires. Presumably, the structure of the scheme was based on the hope that after six months the employee would have proved his/her worth to the employer who would then make up the difference.

b. Supply Side Measures

There have been more initiatives on the supply side. The Jobclubs were piloted in 1985 and judged a success so that they have now been extended to cover almost all jobcentres (around 1,000). The Jobclub principle is that the long-term unemployed need assistance with searching for work and so those joining (and all those unemployed for six months or longer are eligible) are given a series of coaching sessions over a two-week period to help them back into the job search mode. In addition, for as long as they need it, they are provided with free use of telephone, stationery and advice for their job hunting. The Department of Employment claims that the success of the Jobclubs can be judged by the number of members finding work (called the 'job-entry rate'). This is put at between 62-65 per cent of the comparatively small numbers passing through. By the end of 1986, just under 5,000 people had been through Jobclubs which is less than 0.3 per cent of all those eligible. The

Jobclubs are a time consuming means of helping the long-term unemployed, but their worth cannot be denied.

The Restart programme commenced in July 1986. Its objective was to 'invite' everyone who had been out of work for 12 months or longer to an interview at their local jobcentre (it was planned to do this by March 1987). The purpose of the interview was to counsel about the opportunities available to the long-term unemployed and to offer advice as to the best options given their own abilities and aspirations. The options available are: a suitable job; Community Programme; Jobclub; Enterprise Allowance Scheme; a place on a training scheme; Jobstart Allowance; or work on voluntary projects. The effectiveness of the scheme is again hard to judge. In most areas of high LTU there would be few real jobs available to offer the interviewees and so recourse would have to be to one of the special measures. Furthermore, the interviews have been criticised by many as being a kind of 'policing' of the long-term unemployed, such that there has been a noticeable fall in the numbers registered since its inception in 1986.

The package of Adult Training Programmes consists of a number of different measures designed to help alter the abilities the long-term unemployed can offer to the labour market. The Wider Opportunities Training Programme is open to all unemployed and those on Community Programmes. It offers a range of modular full and part-time courses designed to match the perceived needs of local labour markets. The courses are varied and include programmes for those with narrow or outdated skills, for women wishing to return to work and for unemployed managers and professionals. In 1987 it is anticipated that around 35,000 unemployed will take part in this programme of whom around two-fifths - ie. about 14,000 - will be long-term unemployed.

The Job Training Scheme is also open to all unemployed, though it is limited to those aged over 18 and who have been away from full-time education for at least two years. It offers a wide choice of opportunities with the emphasis on matching training to the needs of the labour market. The scheme puts ample emphasis on technology skills. The early signs are that only about one quarter of all participants in the Scheme have been long-term unemployed but in its first quarter it was estimated that over half of all participants went into employment using the skills covered in the courses.

Table 9.2 Summary of Special Measures
(Places taken up about mid 1987)

Scheme	Places
Community Programme	230,000
Jobstart Allowance	6,000
Jobclubs	5,000
Wider Opportunities Training Programme	14,000
Job Training Scheme	n/a
Total all schemes	255,000

Source: DE/MSC

9.4 Summary

The period since 1985 has seen a significant shift in emphasis in the attitude towards tackling the LTU in Britain. Prior to 1985 the main thrust of policy was the Community Programme on the demand side. Though this still forms the mainstay of British policy, the measures introduced since 1985 have been mainly on the supply side with a concentration on training and retraining packages. However, under the Wider Opportunities Training Programme and the JTS there is a clear need to try and relate the training given to some notion of the needs of the labour market in the future. As such, the MSC has gone to considerable lengths to improve its information base, principally through its 'Computer Assisted Local Labour Market Intelligence' or CALLMI initiative. This essentially relies on the results of interviews with employers on questions covering manpower and training needs.

Clearly there have been considerable efforts within the government departments to monitor the range of special programmes. Currently, for example, the Department of Employment is undertaking a survey of the destinations of the

long-term unemployed when they leave the unemployment register and results were expected towards the end of 1987. However, it is difficult to ascribe the exact causes of the recent downturn in the number of long-term unemployed. It is likely to be through a combination of the three main aspects of policy to combat unemployment highlighted above.

Part C - Summary

This final Part contains one chapter, which brings together the main conclusions arising from the individual country reports in Part B. It also considers the implications of the conclusions and various recommendations.

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10.1 Effectiveness of Post-1984 Measures

The previous seven chapters have briefly described the nature of the special labour market measures in a selection of Member States, with special emphasis on the period after the 1984 Resolution. As well as describing the measures, the chapters have also summarised the evaluation presented in detail in Volume II.

A principal finding emerging from the individual-country analysis is that the Member States are, on the whole, making some progress in the fight against LTU and much of this must be due to the visible increase in specific policy responses since the beginning of 1985. Table 10.1 summarizes the trend in the number and rate of LTU in the seven selected countries over the period 1985-86. With the exception of France, the overall numbers have declined in each case. The rate, on the other hand, has declined in only three countries, Belgium, Denmark and Federal Republic of Germany. The more recent trend according to the administratively-derived data indicates a continuing numerical fall but accompanied by decreases in the rates of LTU also.

Table 10.1 Evolution of Long-term Unemployment: 1985-86

	Number of Long-term Unemployed	Rate of LTU
Belgium	Down	Down
Denmark	Down	Down
Federal Republic of Germany	Down	Down
France	Up	Up
Netherlands	Down	Up
Spain	Up	Up
United Kingdom	Down	Up

* LTU as percentage of total unemployment

Source: Chapters 3-9

However, the recent improvement should not be exaggerated. In most of the member countries in the table, the position of the very long-term unemployed - those out of work for more than two years - has been deteriorating in absolute and relative terms. It is also important to ask the question: how far is the improvement due to the measures introduced since 1984? The answer is not easy to find but this report suggests two key factors.

Firstly, it is difficult to accept the proposition that the improvement is entirely due to economic growth. After all, economic recovery in most of these states has been in progress since 1981. On past form, its effect on long-term unemployment would be evident within two years or so. In this decade, this has not been the case because, as was argued in Chapter 2, LTU is now a major structural problem, which economic growth alone cannot cure. A priori reasoning, therefore, attributes at least some role to the special labour market measures.

Secondly, having said that, the evaluations in Chapters 3 to 9 also show that this role can only be modest, partly because of the newness of the recent measures and partly because of the limited coverage of all the measures currently in operation. The significance of the latter reservation becomes obvious when at the approximate proportions of the long-term unemployed benefiting from two broad types of measures: education and training; and others are examined, as given in Table 10.2. The second type includes all the measures in Table 2.3 in Chapter 2, except those in the third and fourth rows. The proportions of LTU benefiting show that, with the exception of Belgium, less than 50 per cent of the long-term unemployed participated in any measure in 1986, the latest year for which such estimates can be compiled. For most of these measures, participation is influenced largely by the scale of financial provision allocated to them. In other words, it is more a budgetary issue than one of individual motivation.

As always, the participation rates in Table 10.2 are broad orders of magnitude, the more so on this occasion partly because the estimates for many less significant measures are not available; partly because there are no data on the number of long-term unemployed on general programmes designed to prevent unemployment among those already at work; and partly because the estimates of LTUs vary between different sources, reflecting different measuring conventions. For example, the estimates provided by EUROSTAT (1987) are different from those in CEC(1). The caveats, however, do not detract from two important messages. Firstly, with the exception of France, the density of

education and training measures is conspicuously limited. Even in France, the training provision does not extend to some two-thirds of the long-term unemployed. Secondly, in most other countries, the non-education and training measures have a higher participation rate. In other words, the type of measures most likely to impact on structural unemployment - which is what a large proportion of LTU is becoming - still have a notably low coverage of their target group.

Community-wide, the relatively low density of education and training measures is indicative of their limited number and scope, even after the 1984 Resolution. So low are the participation rates in many cases that even the basic data on coverage and budgetary costs are not readily available.

Table 10.2 Proportion of the Long-term Unemployed Covered by Training and Non-training Measures: 1986

	Percentage	
	Education and Training Measures	Other Measures
Belgium	nil	57
Denmark	75(1)	
France	33	20
Federal Republic of Germany	10	12
Greece	nil	n/a
Ireland	n/a(3)	n/a
Italy	1	1
Luxembourg	n/a	n/a
Netherlands	15(2)	4(2)
Portugal	n/a	n/a
Spain	16	20
United Kingdom	n/a	27

Notes:

- (1) Covers both training and non-training measures because the distinction between them is not clear cut. The overall percentage is high because the measures involve a large number of the LTUs.
- (2) Refers to 1987 when the new training measures came into effect.
- (3) n/a = not available.

Source: Chapters 3-9 and CEC(1).

10.2 Implications

It is now widely accepted that long-term unemployment in the European Community is rapidly becoming structural in the sense that this continuing shift in the industrial structure is giving rise to skills mismatches between what employers need and what the LTU can provide (see, for example, OECD (1) and (2); and CEC (1) to (17)). Special labour market measures to combat LTU should therefore be designed to improve the work skills of the long-term unemployed as far as possible. Yet it is also clear from Table 10.2 that the participation rate in education and training measures (which aim to achieve this objective) is rather low in all Member States, with the notable exception of France. No doubt, the rates constitute improvement on pre-1984 levels because many measures have been implemented only after the Resolution. But it cannot be denied that the rate is well below the level necessary to achieve a significant reduction in the Community's LTU rate, from the 1985 level of 52 per cent to the target rate of 30 per cent by 1990.

Indeed, with the existing set of labour market measures, the proposed rate looks even more ambitious in the aftermath of the major recessionary fears arising from a free fall in share prices in major stock exchanges around the world in October 1987. Under the existing policy regime, current economic growth is now less likely to be sustained over the rest of this decade. Henceforth, its contribution to a continuing reduction in the rate of LTU in the Member States could conceivably be even less than in the recent past. In other words, a factor which can claim only a modest role in the recent past may well end up contributing even less in the future.

The implication is that there is now an even stronger case for augmenting the existing labour market measures, by increasing either their numbers or the scale of provision available under some of the existing measures. This message emerges clearly from the analysis in the previous seven chapters. What is more, it is also directly or indirectly corroborated by the conclusions emerging from numerous independent studies looking at different dimensions of LTU in the Member States (see for example CEC (1) to (17); CEDEFOP (1) and (2); OECD (1987:1 and 2); EFILWC (1986) and Social Europe (1986)).

If the measures are to be augmented, then the legitimate question is: with what kind of measures? The results of our analysis would favour educational, training and counselling measures. Beyond that, there are three other reasons which favour them; two minor and one major.

The first of the reasons concerns the relative ineffectiveness of job creation measures in the private sector. Empirical evidence shows that wage and other subsidies - with or without additional stipulations - have tended to suffer from a high 'deadweight' effect: they have supported many jobs which could just as well do without them. On efficiency grounds, they have been less cost effective than the conventional cost-per-job calculations appear to suggest (Layard (1979), Marsden and Rajan (1986), and Rajan (1985)). On equity grounds, of course, their role cannot be denied since they have provided some new work opportunities for the long-term unemployed which would not have been possible otherwise.

The second reason relates to the limitations of public sector job creation as a vehicle for developing vocational skills. Although it performs the useful function of providing jobs and work disciplines to the hard core of the long-term unemployed, it does not appear to equip the beneficiaries with skills and competences required to compete in the economically dominated labour market.

The third reason, the recent dramatic transformation in the industrial structures of the Member States distinctly favours the enhanced deployment of education, training and counselling measures (OECD (1987:2), Petit (1986) and Rajan (1987)). This becomes all the more evident when the five principal features of the transformation are taken into account: growth of service industries; rapid diffusion of information technology; shorter product cycles; rising importance of knowledge and multiple skills in product development and production processes; and gradual disappearance of unskilled or low-skilled jobs.

This transformation is tantamount to a second industrial revolution in which functional demarcations are rapidly weakening, leading to an increasing requirement for a repertoire of skills to perform individual jobs. For the long-term unemployed to benefit from this revolution, they need to have access to high quality vocational education and training with national recognition. Indeed, their current plight is an outcome of their seeming inability to respond to the shift in the skill requirements of the economies of the Member States that has occurred under the joint impact of structural change and technology. With the imminent arrival of fifth generation computers and knowledge-based expert systems, the skill requirements of the economies will change even more. As a result, the problem of long-term unemployment could well intensify unless the Member States implement significant proactive

changes in the field of education and training in an attempt to re-equip not only those who are long-term unemployed but also those workers exposed to skill obsolescence due to new technology and structural change.

10.3 Recommendations

So profound are the current and prospective changes that more policy measures of a long-term nature alone may not be adequate (OECD (1987:1 and 2)). They will have to form elements of a coherent strategy in which different measures - old and new - are mutually consistent and reinforcing to the extent that their total impact is greater than the sum total of individual effects. Thus, a more strategic approach is required in which a long-term unemployed person will be exposed sequentially to different measures over a defined period of time.

The approach proposed here has four dominant features:

- o it envisages greater complementarity between macroeconomic policies on the one hand and special labour market measures on the other. This complementarity is essential because in each Member State there are a number of factors causing unemployment, in a way that requires a co-ordinated programme of action;
- o it envisages greater selectivity in the policy focus. Specifically, contra-cyclical, education and training measures will be targeted at growth points in the Member States' economies - namely, service industries and small and medium-size enterprises. Special measures designed to help the long-term unemployed will be focused on those sectors which have the maximum potential for offering work to them; and
- o it envisages a far bigger commitment of resources to educational, training and counselling measures in order to create a stock of skills that matches the emerging economic and social needs of the Member States. Specifically, it will involve putting more financial resources into those measures that help to re-equip the labour force of today with the skills of tomorrow. That means assisting those at work as well as those without work.

- o it requires the recognition that many of the solutions to LTU lie at the level of the local labour market and as such much more reliable information is needed at this level on both labour supply and demand to enable policy measures to have a chance of lasting beyond the short term.

The fourth and final reason underpins the effectiveness of the first three features outlined. Any form of policy response must be developed and targeted with as full a knowledge of local labour market conditions as possible. Focusing on the local aspect recognises the unequal concentrations of LTU in member countries and the diminished hope that labour mobility will help redress the balance. In some member countries, little is known about the characteristics of LTU and even less about the anticipated needs of the local labour markets in the future, essential if education and training policies are to be effective in the long run.

Thus, the approach argues for greater complementarity, selectivity and creativity. Above all, it argues for greater emphasis on education, training and counselling measures for the long-term unemployed, as well as those exposed to the risk of it in the context of local labour market planning. Indeed, such an approach is already being adopted gradually in at least some of the Member States (eg France, the Federal Republic of Germany, and the United Kingdom). But as argued above, it requires a fresh impetus in all Member States if the proposed target rate of LTU is to be achieved by 1990.

The impetus calls for a renewed policy effort to assist everyone in the labour force. For those already at work, it should aim to update their skills on a regular basis. For those who are out of work, the effort could come in the form of two separate sets of measures:

- a. **preventive measures:** these include two specific measures. One of them involves face-to-face counselling at the onset of unemployment and regular personal contacts thereafter in order to ensure that the unemployed persons are fully acquainted with job and training opportunities under various government-sponsored and voluntary programmes. The second preventive measure involves giving training that is specifically geared to the needs of the local or national economy. Either way, the objective of preventive measures should be to ensure that initial unemployment on the part of individuals does not develop into long-term unemployment through discouragement or demotivation; nor

through lack of awareness about opportunities in the local labour market or under various programmes.

- b. **reintegrative measures:** these include three measures targeted specifically at those who are already long-term unemployed. The first of these involves counselling on job search techniques and participation in various government-sponsored and voluntary programmes. The elaborate counselling facilities in the Federal Republic of Germany and the Job Clubs in the United Kingdom are good examples in this context. A detailed study of employers' attitudes to the long-term unemployed in the United Kingdom has highlighted the importance of the counselling measures (Meager and Metcalf, 1987)). The second measure involves the introduction of reorientation programmes designed to: build self-confidence; develop job search techniques; create motivation for education and training; and encourage geographical or occupational mobility. The third measure involves vocational education and training, leading to recognised qualifications. The outstanding examples here are the modular training system in France and the Building on Experience programme in Ireland.,

The above proposals are based on the view that long-term unemployment in the Member States is a structural problem that calls for greater emphasis on education, training and counselling measures. Other measures providing short-term relief are also important. But given the magnitude and scale of the problem there is a strong case for moving towards a longer-term solution that meets the three necessary conditions for combating the problem: the reskilling of the long-term unemployed; a fairer representation of the long-term unemployed in the vocational education and training programmes of the Member States; and some kind of job guarantees after the period of reskilling and retraining.

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A P P E N D I X

MEASURES IN FAVOUR OF

	BELGIUM	DEMARK	GERMANY	SPAIN	FRANCE	GREECE
PERSONALISED COUNSELLING			* Personalised counselling after every 3 months of unemployment (AFG, '69 Labour Promotion Act)		* Personal interviews, assessment and programme after 13 months unemployment ('82)	
FOSTERING SELF-HELP			* Fda financial aids for travel etc to enable i.e. LTUs to find and take up jobs			
FOSTERING SELF-EMPLOYMENT		* Enterprise allowance scheme to help start up own firm instead of receiving a second Job Offer ('85)	* Bridging allowance for 3 mths ('86) (Überbrückungsgeld)	* Reduction of interest on loans + technical assistance grant (TAG) + ECU 1800 grant (G) ('86)	* Helping the unemployed set up own business * Départemental youth initiative fund: +25 yr LTUs ('84)	
FINANCING SPECIALISED TRAINING			* Training to improve placement prospects * Grant for training period within an employment contract (Einarbeitungszuschuss)	* Basic + vocational retraining (VT) 25+ yr old LTUs (75% stat min wage)	* Modular traineeships 300-1200 hours of integration itinerary for 25+ yr olds ('85) * Training and Reinsertion Aid Programme ('86): 550 hours training + 2 mths in enterprise (young); 300-700 hours (adults)	
INSERTION INTO EXISTING TRAINING		* Training allowance for up to 2 years for -25 year olds ('81) * Training allowance instead of second Job Offer ('85)	* LTUs are encouraged to participate in existing courses once they have come to grips with their personal and vocational situation so as to reduce the number of drop-outs	* Vocational training (VT) in rural areas: 25+ yr LTUs receive 75% min wage * Free VT for 45+ LTU after being given indefinite employment contracts	* 18-25 traineeships ('85) * Employment-training contracts ('85) * AFPE upgrading ('85) * FVE traineeships ('85)	* Priority on courses to LTUs
WORK CONTRACTS			* Fixed term trial employment (befristete Probebeschäftigung)	* Indef contracts for 45+ yr olds: ECU 2860 grant + -50% Soc Sec ('83) * Indef contracts for employing women +45 in underrep. occups. - ECU 1800 G ('86)		
SPECIAL WORK PROGRAMMES	* TCF-Third work circuit: new permanent, non-market community jobs. State pays 95% of wage + social security ('82/'86)		* ABN - public interest job creation (AFG '69)	* Priority in Collaboration contracts of public sector bodies with IREM: max. 100% G ('85)	* PUC: part-time collective utility jobs for 16-21 year olds ('84) 21-25 ('85) * PFL (25+) p-t work for 6 mths ('86)	
SUBSIDISING NORMAL WORK	* Inter-departmental Budgetary Fund for Promoting Employment in the non-market sector ('82) Hard to place workers - reduction of employers social security contributions for recruitment of hard to place workers.	* Job Offers for jobs lasting at least 7 mths in public (9 in private) sector after 2 yrs ('81)	* LZK - wage subsidies for 50+ yr old LTUs hired for additional jobs * Loans or subsidies for organising, extending and equipping firms and departments aimed at providing work for older workers (AFG 998) * Settling-in allowance (Eingliederungshilfen) * Occupational trial periods (Arbeitsproben)	* In cooperatives: loan interest reductions (CR) + TAG + ECU 1800 G ('86) for LTU * Encouraging local employment initiatives: CR + TAG + ECU 1800 ('86) for LTU * Work experience contracts -25 yr old with dependants: Soc Sec reduc. + grant 30% (25%) for 6 (+6) mth ('86)	* Aids (ECU 450-900 to employer + topping up UB) to p-t employment ('85) * Financial compensation for LTUs accepting p-t jobs at wages below UB	* 12,000 12-mth grants to firms for hiring LTU ('86)
FOSTERING EARLY RETIREMENTS	* Early retirement by collective agreement (revised Aug '86) for workers aged 57+ (replacement required by an unemployed person)	* Voluntary Early Retirement Scheme: replacements by LTUs are encouraged ('79)	* Early retirement scheme enables LTUs to be hired in replacement ('84)			
EXTENDING UNEMPLOYMENT ALLOWANCE			* Extension of max. duration of receipt of UB for 42+ yr olds ('86) * Working group on LTU measures ('86)	* +55 yr olds on unemployment assistance qualifying for retirement pension can receive 75% minimum statutory wage.	* LTUs 57+ yrs get UB without signing on until 60, when they receive early retirement pension	
OTHER ACTIONS						

THE LONG TERM UNEMPLOYED (Whole Community)

IRELAND	ITALY	LUXEMBOURG	NETHERLANDS	PORTUGAL	UNITED KINGDOM
Direct Action (p1-): Prog. grouping manpower measures into integrated package - counselling + job or ice on m/p prog ('86)					* Restart offering all LTUs practical advice and help : to jobs, Jobclubs Restart training ('85)
Job Search Scheme : ching in job-search techniques ('86)					* Jobclubs providing LTUs with meeting place, coaching and material facilities ('85/'86)
Enterprise Scheme : s constitute 40% of ticipants ECU 40-66 /wk ('83)			* Start-up assistance scheme : income sup- plement + loan (ECU 10,000)	* Self employment aid programme ('86) * Capitalised un- employment insurance scheme for enterprise creation ('86)	* Enterprise Allowance Scheme : ECU 55 per wk for 1 yr to set up own business - not just LTU ('82/'83/'85)
Building on Expe- rience (25-44): 6 mths ernating formal ining and on-the- training ('84) Management Develop- t Prog - LTU agers		* Voc train, voc reeduc, general educ courses * Introduc courses in companies -25yrs * temp manpower prog contracts -25 yrs * initiation trai- neeship contracts -25 yrs			* Restart training course for updating basic skills and job search techniques of 1 wk + 1 day for 13 wks ('85)
Special Employable lls programme Enterprise Training ggrammes Educational portunities Scheme 5 yrs ('86)				* Priority access to reconversion and upgrading courses of state training centres	* Wider Opportunities Training Programme * Job Training Scheme: 6 mths training + work experience * Training for Enterprise (entrepreneurship)
Part-Time Job lowance Scheme for s having found re- ar part-time (-24 /wk) work - ECU 33- ('86)	* Training-work con- tracts for 18-29 yr olds with 15-30% wage subsidies ('83/'86)		* JOB : Temporary work contracts (20-32 hrs/wk) for young LTUs through national agency (START) enables employers to receive subsidy of 33% youth		
Social Employment: t-time work in non- fit making organi- zations, paid ECU 92- on half weekly is ('85)	* Enhancing cultural assets: finance for projects hiring additional -29 yr old LTUs on fixed term contracts for max 36 mths ('85)	* Aids for crea- ting jobs of socio-economic utility	* VVA : temporary jobs for LTUs in non-profit bodies ('79/'83)	* ATD programme (25+ yrs) of temporary employment (6 mths) : community activities ('86) * Local employment initiatives' finance ('86)	* Community Programme of jobs of max 1 yr of value to the community and raising LTU's future job prospects ('83/'85/'86)
Employment Incen- ves Scheme: subsidy employers hiring tional workers. ighted (double mium) in favour of s ECU 79 per week ('7)	* Jobs in state ad- ministrations, au- tonomous bodies, local authorities: priority to +6 months LTUs	* Incentive pre- mium to hire LTUs - 200% of refer- ence minimum social wage ('83)	* MOA : On hiring for at least 6 mths an LTU an employer receives max ECU 400 per mth for 6 mths for train- ing etc costs ('86) * "Plough back" scheme: Job creation in building financed by UB + public funds. 70% must be LTUs ('83) * Vermeend/Moor mea- sure soc sec exempt. for hiring >3 yr LTUs on indef or >2 yr work contract + grant ECU 1750 for retrain.cost	Programme of recruitment subsidies to create new jobs for young people + adult LTU.	* Jobstart Allowance : ECU 28 per week to LTU who finds a full-time job paying less than ECU 111 per week ('85)
				* 62+ early retire- ments (no replacement required)	* Job Release Scheme : early retirees repla- ced by unemployed (not just LTUs) ('77 - '83 part-time JRS)
		Possibility of extending unemp- loyment compens for 182 dys for partic-diff-to- place unemp-loyed		* Extended unemp- loyment assistance pay- ments for 50+ yr olds	
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